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Mr. Vernon A. Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423

**RE: Finance Docket No. 34479 - Arkansas Midland Railroad  
Company - Emergency Service Order - Fine of  
Delta Southern Railroad Inc.**

Dear Mr. Williams:

This refers to UP's letter comments dated February 20, 2004 in support of AKMD's petition for emergency order of the same date. A copy of the UP letter comments was included as Exhibit 3 to AKMD's petition.

In reviewing our files, it appears that, while a copy of the UP comments was included in the AKMD petition, the original was not separately filed with the Board. Accordingly, enclosed with this letter are an original and ten (10) copies of the February 20, 2004 UP comments, together with a certificate of service.

Very truly yours,

Robert T. Opal  
General Commerce Counsel  
(402) 271-3072  
(402) 271-5610 (FAX)

RKO/mls  
Enclosures  
cc: All Parties of Record

Law Department

UNION PACIFIC RAILROAD  
1416 Dodge Street, Rm. 830, Omaha, NE 68179-0001  
fx. (402) 271-5610

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**CERTIFICATE OF SERVICE**

I certify that I have this day served a copy of the foregoing document upon  
the following by first class United States mail:

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John d. Heffner  
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Suite 800  
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William P. Wainright  
President  
Delta Southern Railroad, Inc.  
P.O. Box 1709  
Tallulah, LA 71282

Dated at Omaha, Nebraska, this 26<sup>th</sup> day of February, 2004.

  
Robert T. Opal



**ORIGINAL**

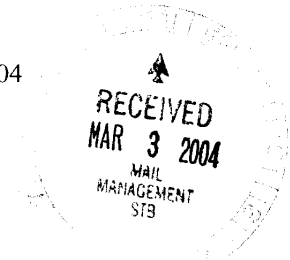
2/0223

February 20, 2004

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Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, NW  
Washington, D. C. 20423

RE: Arkansas Midland Railroad Proposed Operation of the Warren Branch

Dear Secretary Williams:

This letter is in support of Arkansas Midland Railroad's (AKMD) request for an emergency order to operate the Warren Branch between M.P. 422.32 at Dermott, AR and M. P. 461.74 at Warren AR, a distance of 39.42 miles, as well as incidental overhead trackage rights between Dermott, AR and McGehee, AR, and some ancillary facilities at the McGehee, AR yard (the "Line"). Union Pacific has had a favorable business relationship with AKMD and is of the opinion that AKMD will be able to provide the common carrier rail service required to operate the Line. UP has been in discussions with AKMD, and both UP and AKMD are prepared to move quickly to provide the required interim service on the Line, including applicable interim car supply and interchange arrangements under an Interim Use Agreement intended to be implemented as soon as possible after issuance of an authorizing Service Order by the Surface Transportation Board.

As background, the Warren Branch was leased to Delta Southern Railroad (DSRR) under authority granted in FD 33451 dated August 29, 1997 (the "Lease"). The principle customer on the Warren Branch is Potlatch Corporation which originates lumber on centerbeam flat cars and wood chips at Warren, AR. When DSRR's operations are functioning, DSRR operates service between Warren and McGehee, AR where DSRR interchanges with UP. The centerbeam flats are then forwarded to various destinations, and the loaded wood chip hoppers moved by UP crews from McGehee to Potlatch at Cypress Bend, AR. The Potlatch mill at Cypress Bend depends on regular delivery of wood chips for its paper production.

DSRR originally provided service 5 days per week from Warren in 1997, but in 1999 reduced service to three days per week. Beginning in December 2003, service has become erratic and based on no predictable schedule. Due to customer complaints, UP requested DSRR to provide a daily report of cars handled to and from Warren on January 16, 2004. DSRR has not provided any reports. During the week of January 19, 2004 DSRR unilaterally suspended the Warren Branch operation due to lack of required insurance protection. UP's Director of Insurance worked diligently during that week to assist DSRR in obtaining adequate replacement insurance but was unable to obtain required insurance coverage because of DSRR's claims experience and the general condition of the Line. Although DSRR acquired partial insurance on January 22, 2004, they still have been unable to obtain any coverage for

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foreign rolling stock or lading. Based on UP's discussions with its insurance brokers, UP is of the opinion that DSRR will be unable to obtain the insurance coverage required under the Lease.

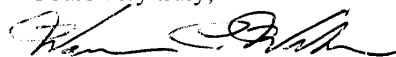
On January 30, 2004, the UP Engineering Department conducted a partial review of the Warren Branch and determined the track did not meet Class 1 standards. UP understands the FRA has subsequently inspected the line and reached the same conclusion. DSRR's contract with UP requires the line to be maintained at Class 1. Moreover, it is UP's understanding that DSRR has sustained several derailments on the Line in recent weeks resulting in damage to UP rolling stock and shipper lading. We understand three wood chip hoppers were derailed on January 22, 2004, followed by another derailment of one wood chip hopper and one centerbeam on January 28, 2004. We are not aware of any operations after February 6, 2004. In fact, the Line was embargoed by DSRR with the AAR on February 6, 2004, although the embargo was canceled that same day.

During the week of February 2, DSRR advised UP and Potlatch that outbound centerbeam cars and wood chip cars were being overloaded resulting in damage to DSRR's tracks. To UP's knowledge, DSRR at that time had no specific weights on which to base this statement. UP voluntarily checked 188 carloads that had been loaded at Warren, and humped at UP's N. Little Rock Yard which automatically weighs cars. UP found that only 4 out of 188 carloads exceeded 268,000 lbs. and these few could possibly be attributed to rain. All of the detailed scale weights on the centerbeams were furnished to DSRR on February 10, 2004; however, UP has heard nothing further from DSRR on the subject. Potlatch advised UP they weigh every chip car at Cypress Bend and none were overloaded. DSRR admitted the chip cars may not be overloaded, but they were "top heavy" because Potlatch "crowns" the chip loads. In UP's experience, this is standard practice and is permitted as long as the chips are not flowing over the sides of the cars. Potlatch has advised this has been their practice since DSRR took over the Warren Branch.

To our knowledge, there has been no train service on the Warren Branch for approximately two weeks. As a result, Potlatch has been forced to truck chips directly to Cypress Bend, causing a severe increase in truck traffic on Arkansas roads. Furthermore, DSRR has advised Potlatch they cannot pull any more than three loaded centerbeams per trip. Since the mill's production is 15 carloads per week, DSRR is unable to meet the customer's requirement under DSRR's own rules.

Union Pacific issued a formal notice of default on February 3, 2004 under the contract to DSRR; however, DSRR has 30 days to cure. In addition, UP sent a request for immediate termination of the Lease to give DSRR the opportunity to mitigate damages on February 12, 2004. DSRR turned down this request. Meanwhile, DSRR's Warren Branch is virtually shut down. UP supports AKMD's desire to institute emergency service on the Line and urges the Surface Transportation Board to take prompt action to restore service on the Warren Branch.

Yours very truly,



Warren C. Wilson  
Senior Manager Rail Line Planning